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TRIGON

Thomas G. Sneed, Jr.
Chairman of the Board and
Chief Executive Officer

July 19, 2001

CONFIDENTIAL

Mr. William L. Jews
President and Chief Executive Officer
CareFirst Blue Cross Blue Shield
10455 Mill Run Circle
Owings Mills, Maryland 21117

Dear Bill:

I was glad we were able to meet last week and talk about how we might work together to better serve our markets and generate the scale economies we both see as critical to our long term survival. I thought the meeting was a positive step, and look forward to continuing our discussions in more detail about what we must do in order to position ourselves for success organizationally, operationally and politically.

At the conclusion of our meeting, you asked me to draft a note that further articulated my thinking with respect to your role as Chairman with both strategic and operating responsibilities. I have attempted to describe the areas for which I see you taking primary responsibility, with the realization that ultimately we need to work together on most key issues in order to succeed. While I have attempted to outline key interactions and support for your role, it should be understood that we, you and I as the most senior officers running the combined CareFirst / Trigon organization, would both be free to draw upon any executive relevant to the issue at hand.

Board management of a \$5 billion public company with operations covering members spread over 51,000 square miles.

- Responsibility: Call, plan and run the meetings. Keep the Board up to speed and comfortable in their understanding of the issues. Anticipate, solicit and respond to their questions and concerns. Work to extend their reach, stature, and influence throughout the region – and thereby, ours. In the last year we have had 7 regular and 6 special meetings of the executive committee or full board. For me, this has necessitated communication on an almost daily basis with one or more members of my board – one that is smaller than the one you would manage.
- Interactions: Board members directly; and, me as your CEO partner
- Support: All Senior Staff could be drawn upon as needed.

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Corporate Strategy for a corporation that is active in industry leadership, operating in three states and the District of Columbia, and seeking to expand through strategic partnerships.

- Responsibility: Identify and frame emerging strategic issues of product, market or regulatory implications. Develop and execute an integrated legislative and public relations strategy for the national stage, the districts in which we currently operate, and those in which we aspire to do so. Aggressively represent the company in industry and trade associations such as the AAHP, CAQH, and others, speaking on the company's behalf on issues of major industry and political importance. Identify, court, structure and close our next major partnership, while scanning the markets for strategic opportunities to complement the earnings from our ancillary product lines and portfolio of subsidiaries.
- Interactions: Chairmen and CEO's of other major health plans; leadership and staff of national industry and trade associations; investment bankers; outside legal and public relations counsel; CEO's of companies offering additional capabilities and product lines. As we discussed, we would work together to bring forward the best thinking of the organization.
- Support: Legislative Relations and Corporate Development would report directly to you

Executive Management of our two organizations.

- Responsibility: Work with me as a two-man Executive Management Team to outline the new management structure and fill it with the best talent, overseeing the compensation, hiring and firing required to do so. Establish post merger management teams for functional and market integration. Identify primary merger issues. Appoint / confirm project team organization. Set targets for each team. Determine what baseline will be used for budgets and head counts. Establish separation and relocation policies and procedures. Review and approve team charters, work plans and deadlines. Design, manage and deliver communications to reassure important constituencies. Deal with continuing legal / public relations issues. Review and approve project team recommendations and implementation plans. You would be expected to participate in all regularly scheduled Senior Staff meetings, and with me, be a part of the decision making and interactions with them. This list is obviously abbreviated, for as an Executive Committee, you and I will serve as partners on a lot of things that affect the business that are not on this page. I would expect that you and I would reach consensus before any recommendation is made to the Board.
- Interactions: Me, Senior Staff and Integration team leaders
- Support: Senior Staff, Integration Manager

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CareFirst CEO with P&L Responsibility (at least until we have devised a long-term company wide integration plan)

- Responsibility: Geographic oversight would include the territories currently serviced by CareFirst, and likely would be expanded to include a larger portion of Northern Virginia in order to service the Washington MSA / ADI more effectively and efficiently than either of us can with our current boundary. Meet earnings objectives. Manage all current functions through integration. On an ongoing basis, manage sales, underwriting, provider relations, and regulatory relations for local markets to meet quarterly contribution margin and administrative cost targets.
- Interactions: Me, Senior Staff; functional leaders in local market
- Support: CareFirst heads of sales, underwriting, provider relations, regulatory and public relations. Depending upon the decisions we make as an Executive Management Committee, certain executives might also be the Corporate heads of these functions, in which case they would also report to me in that capacity.

Bill, while a letter can never capture fully the spirit of an effective working partnership, that is what I am seeking to develop with you. Both of our travel and meeting schedules would by necessity have to reflect that we would have our membership and employees located in four political subdivisions. The combination of our respective roles, and our need to coordinate effectively on a wide range of issues, gives us the means, the motive and the opportunity to make it happen.

As I reflect upon this letter, it occurs to me that the roles that I have outlined here are concordant with those from our conversation back in January. They are meaningful, substantial responsibilities because, in order for the two of us to both succeed, you and I need to work together.

As I mentioned at the close of our meeting on Friday, we still need to understand how a transaction between CareFirst and Trigon could be completed, as well as the timing of key hearings, approvals, and other important milestones. I look forward to hearing from you.

Sincerely,

